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SUBJECT: AMBASSADOR'S VISIT TO KARAKOL: ECONOMIC
DEVELOPMENT AND DECENTRALIZATION

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¶1. (SBU) SUMMARY: On January 16 and 17, the Ambassador traveled to Karakol, at the eastern edge of Lake Issyk Kul in northeastern Kyrgyzstan, to open an American Corner at the Issyk Kul Oblast library. The center will provide increased access to news and information about the United States and the outside world in an area with only limited sources of outside information. In a meeting with Issyk Kul Oblast Governor Kydykbek Isayev, Ambassador discussed economic development in the region, particularly the possibilities in tourism and mining. Karakol Vice Mayor Akylbek Djanybekov showed the Ambassador Karakol's strategic plan, which had been put together with community input -- and assistance from USAID, and he noted that Karakol would be one of two pilot cities this year for a two-tier budget (that is, direct funding from the central government, a key element in the decentralization program). At a roundtable with NGO leaders, participants talked about the need for greater economic development and investment, as well as a desire for greater local control over projects. The Ambassador also met with the producers of the first radio program in Kyrgyzstan devoted to women's issues. Throughout the visit, economic development was at the top of everyone's list of priorities, but some were clearly nostalgic for the way things had been in the Soviet era. End summary.

Governor: Looking for Outside Investment

¶2. (SBU) Newly appointed Issyk Kul Oblast Governor Kydykbek Isayev told the Ambassador that he hoped to draw foreign investment to develop the tourism, mining, and agricultural sectors in the oblast. At the center of his development plans was a long-discussed toll road from Almaty, Kazakhstan through the mountains to the northern shore of Issyk Kul. Isayev said that the 140-kilometer road would allow over one million tourists per year to reach the lake directly, not

just during the peak summer season, but all year long. In addition, the on-going expansion of the airport would allow a greater flow of tourists from places like Moscow. The Governor said that 100 hectares had been set aside for international hotel projects, and he hoped to bring a casino to the area. In addition to attracting well-heeled tourists from Kazakhstan and Russia, the Governor said he wanted to see the Karakol area, with its mountain terrain and clean air, become a training base for sports, as it had been in the Soviet era.

13. (SBU) Isayev was also optimistic about additional Kazakh investment in the agricultural sector, especially for expansion of dairy production. Contrary to the common assumption that Russians were interested in the airport upgrade project, Isayev said that Kazakh businessmen wanted to invest in the airport and a number of other projects in a free economic zone. Isayev said that 400 hectares would be allocated for the zone. Isayev said that Chinese, Russian, and Kazakh firms were interested in mining projects for coal, tin, and lead. He said that the Chinese presence was particularly strong, and he praised Chinese businessmen for "making (investment) decisions quickly." When asked about relations with the Kumtor gold mine, a Canadian-run joint venture that represents the largest foreign investment in Kyrgyzstan, the governor complained about the structure of the venture and claimed that "no profit" came to Kyrgyzstan. Referring to a recent labor action, Isayev said that Kumtor should pay the workers a greater "premium" for working at high altitudes. When the Ambassador said that the treatment of Kumtor serves as an example of the investment climate, Isayev pointed out that the government "hadn't kicked them out . . . yet," and said he would rather talk about other issues.

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Vice Mayor: More Local Control

14. (SBU) Karakol First Vice Mayor Akylbek Djanybekov shared a copy of Karakol's new strategic plan with the Ambassador. He said that the plan had been drafted with considerable community in-put and with assistance from the USAID-funded Urban Institute. Djanybekov praised Urban Institute's program to assist local governments, pointing to work on municipal property, utilities, land inventory, and condominium law. He especially appreciated the training in budgeting -- a "first" for Karakol -- and pointed out that Karakol would be one of two pilot cities this year for "two-tier" budgeting (that is, direct funding from the Ministry of Finance rather than through the oblast and rayon administrative levels). He said that local control of budgets was a key step in the government's decentralization program, but some villages were resisting because they were not well prepared for the greater responsibility.

15. (SBU) Djanybekov also laid out the city administration's development goals. He said they hoped to take advantage of Karakol's location and good climate to develop "mountain tourism." He pointed to the ski base operator as a "model investor," and said that land was available -- through competitive tenders or leases -- for other investors.

NGO Leaders: Economic Struggles

16. (SBU) During a roundtable discussion with local NGO leaders, the participants said that their most significant concerns were economic, noting that many conditions -- both economic and social -- had declined since Soviet times. For example, when local factories were privatized cheaply, the new owners didn't run them but instead sold off the equipment. Because of the lack of good jobs today, many men are forced to leave for seasonal construction jobs in other parts of Kyrgyzstan or in Kazakhstan, and other people with

good educations are working as petty traders in the market. They agreed that the tourism sector offered some promise of economic development and jobs in the region, but some worried about the negative ecological impact of large-scale development. The NGO leaders were nearly unanimous in their support for greater local control over budgets and spending; one participant suggested that oblast-level administrations should be abolished.

17. (SBU) The director of the NDI-sponsored information center maintained that despite their concern with local issues, people were also interested in national political news, including the new constitution. Another participant said that from Karakol, it appeared that the struggle in Bishkek between the president and the opposition was a mere "game," and that politics had prevailed over constitutional reform. The NGO leaders said that while there were several local independent mass media outlets, there were only limited sources of national and international news. They pointed to the absence of independent television, noting that coverage of national events came through state-controlled KTR, which was strongly biased. The Internet does provide access to information, but few people in Karakol had access to the Internet.

American Corner: A Needed Resource

18. (U) The centerpiece of the visit to Karakol was the Ambassador's opening of the American Corner at the Issyk Kul Oblast Library. The new American Corner, the fourth such center in Kyrgyzstan, will provide books and information about the United States, as well as reference materials and books on democracy, government, and education. The center

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will also have six computers with Internet access available. During the opening ceremony, the Ambassador said that the center would promote better understanding between people and would be a resource for all the people of Karakol. Issyk Kul Oblast First Deputy Governor Kalybek Alyshpayev thanked the United States government for the computers, books, and equipment, and noted that the oblast government had also contributed by paying to renovate the building -- making the project a real partnership.

Assistance Projects: Some Successes

19. (SBU) The Ambassador visited a USAID-funded teacher training project at a local school. School administrators and teachers at the Satylganov Lyceum credited the PEAKS (Participation, Education, and Knowledge Strengthening) project with improving teacher training and for generating funds for improvements to the school's resource center and library. The Ambassador also met with the owner and staff at "Radio LW," the area's first independent radio station that had been helped by grants from the Embassy's Democracy Commission. The station's manager told the Ambassador about their latest project to develop programming devoted to women's issues -- a first for Kyrgyzstan. Coverage of some issues was straightforward, he said, but certain critical issues -- such as bride kidnapping and religious issues -- was complicated due to the conservative social views in the region. Currently, they were broadcasting three hours per day using Radio LW's frequency, but they hoped to obtain a license for a separate frequency.

Comment

110. (SBU) Economic concerns were at the top of nearly everyone's list of priorities, and there was a certain nostalgia for the way things had been in the Soviet era. But people were focused on forward development, and at each meeting, people expressed interest in better access to

credits and micro-credits. While the new governor spoke of large investment deals, the local administration appeared more focused on practical steps with infrastructure and in gaining greater control over budgets and resources. With Karakol serving as a pilot city for two-tier budgeting in 2007, the results in Karakol will be important for decentralization throughout Kyrgyzstan.

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